

EXECUTIVE OFFICES

INTERMOUNTAIN GAS COMPANY

555 SOUTH COLE ROAD • P.O. BOX 7608 • BOISE, IDAHO 83707 • (208) 377-6000 • FAX: 377-6097

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IDAHO PUBLIC
UTILITIES COMMISSION

August 29, 2013

Jean Jewell
Idaho Public Utilities Commission
472 W. Washington St.
P. O. Box 83720
Boise, ID 83720-0074

**RE: Intermountain Gas Company
IPUC Case No. INT-G-13-06**

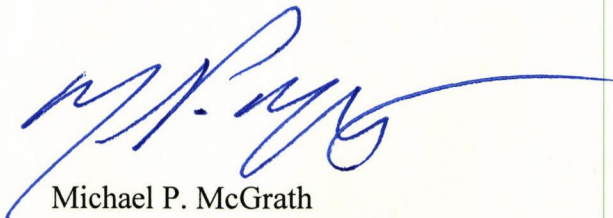
Dear Jean:

Enclosed for filing with this Commission are an original and seven (7) copies of Intermountain Gas Company's Application for Authorization to Issue and Sell Securities.

Please acknowledge receipt of this filing by returning a stamped copy of this letter for our Company files.

If you have any questions or require additional information regarding the attached, please contact me at 377-6168.

Sincerely,



Michael P. McGrath
Director – Regulatory Affairs
Intermountain Gas Company

Enclosure

cc: Scott Madison
Mark Chiles
Morgan W. Richards

INTERMOUNTAIN GAS COMPANY

CASE NO. INT-G-13-06

APPLICATION

And

EXHIBITS

**In the Matter of the Application of INTERMOUNTAIN GAS COMPANY
for Authorization to Issue and Sell Securities**

Morgan W. Richards Jr., ISB 1913
Richards Law Office
P.O. Box 2076
Boise, Idaho 83701
Telephone: (208) 283-0334

Attorney for Intermountain Gas Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of
INTERMOUNTAIN GAS COMPANY
for Authorization to Issue and Sell
Securities

Case No. INT-G-13-06
APPLICATION

Intermountain Gas Company ("Intermountain" or "Company"), a subsidiary of MDU Resources Group, Inc. with general offices located at 555 South Cole Road, Boise, Idaho, does hereby request authorization to issue and sell a total of Fifty Million Dollars (\$50,000,000) of Unsecured Notes split evenly between a period of twelve (12) and fifteen (15) years.

Communications in reference to this Application should be addressed to:

Michael P. McGrath
Intermountain Gas Company
555 S Cole Rd.
Boise, Idaho 83709
and
Morgan W. Richards Jr.
Richards Law Office
P.O. Box 2076
Boise, Idaho 83701

In support of this Application, Intermountain does allege and state as follows:

I.

Intermountain is a gas utility, subject to the jurisdiction of the Idaho Public Utilities Commission, engaged in the sale of and distribution of natural gas within the State of Idaho under authority of Commission Certificate No. 219 issued December 2, 1955, as amended and supplemented by Order No. 6564, dated October 3, 1962.

Intermountain provides natural gas service to the following Idaho communities and counties and adjoining areas:

Ada County - Boise, Eagle, Garden City, Kuna, Meridian, and Star;
Bannock County - Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello;
Bear Lake County - Georgetown, and Montpelier;
Bingham County - Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelley;
Blaine County - Bellevue, Hailey, Ketchum, and Sun Valley;
Bonneville County - Ammon, Idaho Falls, Iona, and Ucon;
Canyon County - Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder;
Caribou County - Bancroft, Conda, Grace, and Soda Springs;
Cassia County - Burley, Declo, Malta, and Raft River;
Elmore County - Glenns Ferry, Hammett, and Mountain Home;
Fremont County - Parker, and St. Anthony;
Gem County - Emmett;
Gooding County - Gooding, and Wendell;
Jefferson County - Lewisville, Menan, Rigby, and Ririe;
Jerome County - Jerome;
Lincoln County - Shoshone;
Madison County - Rexburg, and Sugar City;
Minidoka County - Heyburn, Paul, and Rupert;
Owyhee County - Bruneau, Homedale;
Payette County - Fruitland, New Plymouth, and Payette;
Power County - American Falls;
Twin Falls County - Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls;
Washington County - Weiser.

Intermountain's properties in these locations consist of transmission pipelines, a liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment.

II.

Applicant desires to issue, and therefore seeks authority from this Commission, to issue and sell Fifty Million Dollars (\$50,000,000) of Unsecured Notes,

The Board of Directors of Intermountain has duly authorized the requested Unsecured Notes. A copy of the Resolution authorizing the Unsecured Notes is attached hereto as Exhibit No. 1 and is incorporated herein by reference.

III.

The terms and conditions of the Unsecured Notes of Fifty Million Dollars (\$50,000,000) are incorporated herein by reference as though fully set out.

A copy of the terms for the above referenced Unsecured Notes will be submitted under separate cover and is to be treated as confidential pursuant to PUC IDAPA Rules 31.01.01.067, 31.01.01.233 and 31.02.01.005.07, together with Idaho Code Sections 9-340D and Idaho Code Sections 458-801 *et seq.*

Summary of Terms and Conditions

Borrower:	Intermountain Gas Company
Lender:	Teachers Insurance and Annuity Association of America ("TIAA" or the "Investor")
Principal Amount:	Unsecured Note - \$50,000,000
Interest Rates:	Based on ten (10) year Treasury rates plus 140-145 for the twelve (12) year tranche and plus 165-170 for the fifteen (15) year tranche
Security:	None
Use of Proceeds:	To extinguish any remaining amounts outstanding on the Company's Revolving Credit Agreement and provide for the capital expenditure, working capital and general corporate purpose needs of Intermountain.
Maturity:	The proceeds will be split evenly for terms of twelve (12) and fifteen (15) years

Fees: No underwriting fees or commissions will be paid in conjunction with the issuance of the securities. Legal fees and reasonable out-of-pocket costs will be paid or reimbursed to TIAA, Sutherland Asbill & Brennan LLP (TIAA's special counsel, and Cohen Tauber Spievack & Wagner P.C. (Intermountain's legal counsel), and are estimated at \$125,000.

Other Requirements: Costs associated with this transaction are to be paid by Intermountain as noted in the above delineation of "Fees."

IV.

Based on this Commission's authorization, the Unsecured Notes not to exceed Fifty Million Dollars (\$50,000,000) will continue to be used in the traditional way to extinguish any remaining amounts outstanding on the Company's Revolving Credit Agreement and provide for the capital expenditure, working capital and general corporate purpose needs of Intermountain. These uses are consistent with the public interest and necessary, appropriate, and consistent with the proper and legally mandated performance to the public by Intermountain as a public utility.

V.

The net proceeds (Fifty Million Dollars (\$50,000,000) minus the estimated Fees of One Hundred and Twenty Five Thousand Dollars (\$125,000)) are estimated at Forty Nine Million Eight Hundred and Seventy Five Thousand Dollars (\$49,875,000).

VI.

Intermountain's Statement of Capitalization as of July 31, 2013, showing all authorized and outstanding classes of securities as adjusted to reflect the proposed issuance of the \$50,000,000 of Unsecured Notes, is as follows:

	July 31, 2013		
	<u>As Adjusted</u>		
	<u>Amount</u> <u>Outstanding</u> <u>(\$000's)</u>	<u>Amount</u> <u>(\$000's)</u>	<u>Ratio</u>
Common Stock & Surplus	\$ 94,154	\$ 94,154	45.8%
Long Term Debt	<u>61,637</u>	<u>111,637</u>	<u>54.2%</u>
Total Capitalization	<u>\$ 155,791</u>	<u>\$ 205,791</u>	<u>100.0%</u>

VII.

The estimated fees and expenses of the issuance of such Unsecured Notes are expected to total \$125,000 consisting of the following:

Legal Fees	\$100,000.00
Misc. Fees	<u>25,000.00</u>
Total	<u>\$125,000.00</u>

VIII.

The fee required by Section 61-905 of the Idaho Code, was determined as follows:

First	\$ 100,000 at \$1.00 per \$1,000	= \$ 100.00
Next	900,000 at \$0.25 per \$1,000	= 225.00
Remaining	<u>49,000,000</u> at \$0.10 per \$1,000	= <u>4,900.00</u>
	<u>\$ 65,000,000</u>	= <u>\$ 5,225.00</u>

As this amount is larger than the \$1,000 maximum fee set forth in Section 61-905 of the Idaho Code, a check for \$1,000 is enclosed with this Application.

IX.

This Application is filed pursuant to the applicable statutes, including Idaho Code Sections 61-901, 61-902, 61-903 and 61-905, and the Rules and Regulations of this Commission.

Intermountain stands ready for an immediate hearing of this Application if such is determined necessary by this Commission.

A proposed Order granting this Application is attached hereto as Exhibit 2 and is incorporated herein by reference.

X.

Notice of this Application will be published prior to Commission authorization in *The Idaho State Journal*, *The Idaho Statesman*, *The Idaho Business Review*, *The Post Register*, and *The Times News* pursuant to Rule 141.8 of the Commission's Rules of Practice and Procedure.

WHEREFORE, Intermountain respectfully petitions the Idaho Public Utilities Commission as follows:

- a. That this Application be processed without hearing pursuant to the Rules and Regulations of this Commission and acted upon at the earliest possible date;
- b. Additionally, that this Commission approve and authorize the issuance of Unsecured Notes for the purposes described up to and including Fifty Million Dollars (\$50,000,000) for a period of twelve (12) and fifteen (15) years.
- c. That this Commission allow Intermountain to manage its Unsecured Note financing pursuant to the order issued in this matter until such time as Intermountain's Board of Directors changes the authorized level of such Notes.
- d. For such other relief as this Commission may determine proper relative to this Application.

DATED at Boise, Idaho, this 29th day of August, 2013.

INTERMOUNTAIN GAS COMPANY

Richards Law Office

By 
Michael P. McGrath
Director – Regulatory Affairs

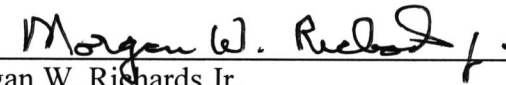
By 
Morgan W. Richards Jr.
Attorney for Intermountain Gas Company

Exhibit 1

CASE NO. INT-G-13-06

INTERMOUNTAIN GAS COMPANY

Board Resolution

(2 pages)

CERTIFICATE

I, PAUL K. SANDNESS, hereby certify that I am the duly elected and qualified Secretary of Intermountain Gas Company, an Idaho corporation; that the following is a true and correct copy of resolutions adopted by Written Consent of the Board of Directors dated August 7, 2013; and that said resolutions have not been modified or amended and are presently in full force and effect:

WHEREAS, there has been presented to the Board of Directors of Intermountain Gas Company (the "Company") a Summary of Terms outlining a Note Purchase Agreement (the "Agreement") between the Company and Teachers Insurance and Annuity Association of America ("Purchaser") under which the Company proposes to issue and sell unsecured notes in an aggregate principal amount of up to Fifty Million Dollars (\$50,000,000), in one or more series, with maturities up to fifteen (15) years as set forth in the Agreement;

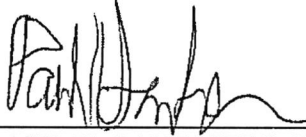
NOW, THEREFORE, BE IT RESOLVED, that the Summary of Terms substantially in the form presented to the Board of Directors, is hereby approved and accepted;

FURTHER RESOLVED, that the Chairman of the Board, the Chief Executive Officer, the President, any Vice President or Assistant Vice President, the General Counsel, and any other officer who performs a policy-making function (such as administration, operations, accounting, or finance) of the Company be, and each of them hereby is, authorized to negotiate, execute and deliver the Agreement substantially in conformity with the Summary of Terms presented to the Board of Directors, with such changes, additions and deletions as to any or all of the terms and provisions thereof as the authorized officer executing the Agreement on behalf of the Company shall deem proper, such execution to be conclusive evidence of the authorized officer's authority granted herein and the approval thereof by the Board of Directors; and

FURTHER RESOLVED, that the authorized officers be, and each of them hereby is, authorized and empowered to take or cause to be taken any and all further actions and to execute and deliver or cause to be executed and delivered all further agreements, documents, certificates, and undertakings, in the name and on behalf of the Company, and to make such filings or applications with governmental or regulatory agencies and authorities as the authorized officers may determine to be necessary, proper, or desirable to carry into effect the intent and purpose of any and all of the foregoing resolutions; and the delivery of any such agreement, document, certificate, and/or undertaking shall be conclusive evidence of the officer's authority granted herein and the approval thereof by the Board of Directors; and all actions previously taken by any officer or agent of the

Company in connection with the transactions contemplated by the Summary of Terms (including, but not limited to, the negotiation of the Agreement and all related agreements) and the transactions contemplated by the foregoing resolutions are hereby ratified, approved, and confirmed in all respects.

IN WITNESS WHEREOF, I have hereunto set my hand on August 8, 2013.

A handwritten signature in black ink, appearing to read "Paul K. Sandness", written over a horizontal line.

PAUL K. SANDNESS, Secretary

Exhibit 2

CASE NO. INT-G-13-06

INTERMOUNTAIN GAS COMPANY

IDAHO PUBLIC UTILITIES COMMISSION

PROPOSED ORDER

(4 pages)

PROPOSED ORDER OF APPLICANT

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of
INTERMOUNTAIN GAS COMPANY
for Authorization to Issue and Sell
Securities

Case No. INT-G-13-06

ORDER NO.

On August 29th, 2013, Intermountain Gas Company ("Intermountain" or "Company"), a subsidiary of MDU Resources Group, Inc. filed an Application pursuant to Chapter 9 of Title 61, Idaho Code and Rules 141 through 150 of the Commission's Rules of Procedure. IDAPA 31.01.01.141-150. Through this Application, Intermountain requests authorization for Unsecured Notes, not to exceed \$50,000,000, split evenly for a period of twelve (12) and fifteen (15) years. Intermountain contends that these Unsecured Notes will continue to be used in the traditional manner, which is principally to extinguish any remaining amounts outstanding on the Company's Revolving Credit Agreement and provide for the capital expenditure, working capital and general corporate purpose needs of Intermountain.

The Idaho Public Utilities Commission, having fully considered the Application and exhibits attached thereto, and all of the Commission's files and records pertaining to this Application, now makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

Intermountain is an Idaho corporation with its office and principal place of business in Boise, Idaho. Intermountain is a natural gas public utility, owning and operating transmission pipelines, a liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment.

Intermountain seeks the Commission's authorization and permission to issue Unsecured Notes not to exceed \$50,000,000 at any one time outstanding split evenly for a period of twelve (12) and fifteen (15) years from the execution and delivery of the agreement. The Unsecured Notes will be administered through Teachers Insurance and Annuity Association of America. The proceeds

from the borrowing in this issuance will be used principally to extinguish any remaining amounts outstanding on the Company's Revolving Credit Agreement and provide for the capital expenditure, working capital and general corporate purpose needs of Intermountain.

CONCLUSIONS OF LAW

Intermountain is a gas corporation within the definition of *Idaho Code* § 61-117 and is a public utility within the definition of *Idaho Code* § 61-129.

The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to the provisions of *Idaho Code* § 61-901, *et seq.*, and the Application reasonably conforms to Rules 141-150 of the Commission's Rules of Procedure (IDAPA 31.01.01-141-150).

The method of issuance is proper.

The general purposes to which the proceeds will be put are lawful under the Public Utility Law of the state of Idaho and are compatible with the public interest. However, this general approval of the general purposes to which the proceeds will be put is neither a finding of fact nor a conclusion of law that any particular construction program of Intermountain which may be benefited by the approval of this Application has been considered or approved by this Order, and this Order shall not be construed to that effect.

The issuance of an Order authorizing the proposed financing does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes. The Idaho Public Utilities Commission does not have before it for determination, and therefore does not determine, any effect of the proposed transactions on rates to be charged by Intermountain for natural gas to consumers in the state of Idaho.

All lawful fees have been paid by Intermountain as provided by *Idaho Code* § 61-905.

The Application should be approved.

ORDER

IT IS THEREFORE ORDERED that the Application of Intermountain Gas Company for authority to issue Unsecured Notes split evenly between a period of twelve (12) and fifteen (15) years not to exceed \$50,000,000 as described in its Application should be, and the same hereby is, granted for a period of fifteen (15) years from the execution and delivery of the Unsecured Notes,

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, valuation, estimates

or determination of cost or any other matter which may come before this Commission pursuant to this jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provisions of Chapter 9, Title 61, Idaho Code, or Rules 141-150 of the Commission's Rules of Procedure, or any act or deed done or performed in connection with this Order shall be construed to obligate the state of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of said Chapter 9, Title 61, Idaho Code and Commission Rules 141-150.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of Intermountain's exhibits or other material accompanying this Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.

DONE by Order of the Idaho Public Commission at Boise, Idaho this _____ day of
_____ 2013.

PRESIDENT

COMMISSIONER

COMMISSIONER

ATTEST:

SECRETARY